

SMI Markets: Kenya

Date: 20 Nov 2013

CMIRR Markets: Kenya

CSDs: CDSC (Kenya)

Dematerialisation of Securities Listed on NSE - Update

Further to our previous newsflash, the Central Depository and Settlement Corporation (CDSC) has issued following clarifications with regards to the dematerialisation of securities:

- The 62 listed companies at the NSE were grouped into three to facilitate the process of dematerialisation. The dematerialisation dates for each tranche were 1 September 2013, 1 October 2013 and 1 November 2013 respectively.
- After the dematerialisation date, listed companies will not be issuing share certificates to their shareholders and the official record of shareholders of any listed company are held and maintained by CDSC. CDSC continues to work closely with the all registrars of listed companies.
- On the dematerialisation date (1 November 2013), any shareholder who will not have immobilised their shares will still remain a shareholder of the company, with all their shares intact. CDSC will receive from the registrar, a list of all the shareholders and their respective shareholding, and this will be reflected at CDSC as belonging to the individual shareholders in the amount advised by the registrar.
- If a shareholder does not intend to trade, he/she can continue to hold their certificate(s). It is not mandatory for them to immobilise. If the shareholder later decides to deposit their shares in CDSC, the certificate will be the first point of reference for the immobilisation and verification process. The certificate therefore remains a useful document for the immobilisation process.
- No shareholder will lose their shares as a result of dematerialisation, whether they have immobilised or not.
- Shareholders will be able to pledge their shares as security against any borrowings after they have been immobilised.
- A shareholder who has not immobilised their shares by the dematerialisation date will still continue to receive all bonus shares or dividends or any other corporate action and entitlement that are due to them. Neither their shares, nor their entitlements will be lost as a result of dematerialisation.
- Shares for shareholders who will not have immobilised their shares by the dematerialisation date will be deposited in a non-trading CDS account held under the Issuers' name in a dormant state. But as soon as the investor immobilises their shares, the shares will be moved into his/her trading account (CDS account).
- After dematerialisation, the immobilisation process remains the same as it is currently. The shareholder shall deliver the required documents to his stockbroker, investment bank or custodian bank, and shall be assisted with the verification process by the registrar of the company.
- The main distinction between immobilisation and dematerialisation is a legal one, where on the dematerialisation date, the legal proof of ownership of shares is the record held at CDSC, which now becomes the official register of shareholders.

The official press release by CDSC is available here: [Dematerialisation of Securities Listed on NSE](#).

Market Information Impact

Kenya

This information affects the data contained in the Safekeeping/Post Settlement sections of the Securities Market Information Service.

Infrastructure Risk Ratings Impact

Kenya

Market Rating: BBB

Market Flash Impact: Positive

Impacted Risk Type: Operational Risk

Current Rating = BBB
Flash Impact = Positive

The dematerialisation of securities listed on the NSE will eliminate the risks associated with physical certificates such as mutilation, theft and loss, duplication of shares, signature mismatches and transfer problems. This has a Positive impact on Operational Risk.

CSD Risk Impact

CDSC (Kenya)

CSD Rating: A-
CSD Flash Impact: Positive

Impacted Risk Type: Operational Risk
Current Rating = BBB
Flash Impact = Positive

The dematerialisation of securities listed on the NSE will eliminate the risks associated with physical certificates such as mutilation, theft and loss, duplication of shares, signature mismatches and transfer problems. This has a Positive impact on Operational Risk.

Related Flash: [Dematerialisation of Securities Listed on NSE - Update, 13/06/2013 \(click to view\)](#)

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